



ALCOHOLIC
BEVERAGES
DIVISION
State of Iowa

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Where the \$ Goes 1A | Core Functions 2A | Three-Tier System 2A

ABD Times

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Terry E. Branstad,
Governor
Kim Reynolds,
Lt. Governor
Stephen Larson,
Administrator

MARKING 80 YEARS OF ALCOHOL REGULATION IN IOWA

With the repeal of Prohibition in 1933, the regulation of alcoholic beverages reverted to individual states. Iowa chose to regulate by assuming direct control of the sale and distribution of alcohol within its borders. The control state system is steeped in history and is still relevant today. Over the course of the last eighty years, the Iowa control state system has evolved to reflect social and economic changes. The system is tailored to balance responsible legal consumption with



the rights of businesses and the communities they serve.

Today, Iowa and 17 other jurisdictions utilize the control state system to achieve a wide range of public policy goals.

The Iowa Alcoholic Beverages Division's mission is to serve Iowans through the responsible regulation and profitable distribution of alcohol while providing opportunities for industry development and promoting health through education.

WHERE THE MONEY GOES: \$115,054,354 FUNDS GENERATED

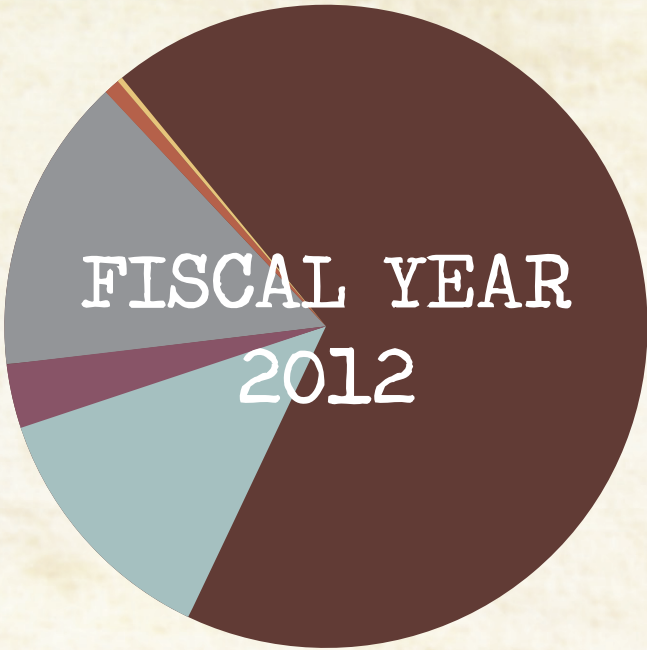
GENERAL FUND

Liquor Profits: ■
\$78,500,000

Revenues that are not necessary for liquor purchases or for other obligations are transferred to the General Fund.

Beer Tax: ■
\$14,725,780

Revenues derived from the barrel tax are deposited into the General Fund.



- Liquor Profits
\$78,500,000 | 68.2%
- Beer Tax
\$14,725,780 | 12.8%
- Licenses
\$3,648,558 | 3.2%
- Substance Abuse
\$17,048,686 | 14.8%
- Sunday Sales
\$851,000 | 0.7%
- Native Wine Tax
\$255,627 | 0.2%
- Native Beer Tax
\$24,703 | 0.1%

IOWA ECONOMIC
DEVELOPMENT
AUTHORITY

Native Wine Tax: ■
\$255,627

Revenues collected from the wine gallon tax on native Iowa wine producers are transferred to the Economic Development Authority to be used by the Midwest Grape and Wine Institute at Iowa State University.

CITIES AND
COUNTIES

Licenses: ■
\$3,648,558

A percentage of revenues collected from the issuance of new and renewal licenses and permits are transferred to the applicable city or county.

IOWA DEPARTMENT OF PUBLIC HEALTH

Substance Abuse: ■
\$17,048,686

An amount equal to 7% of gross sales of liquor is transferred to the General Fund for comprehensive substance abuse programming. Of the amounts transferred, two million dollars, plus an additional amount determined by the legislature, is appropriated to the Iowa Department of Public Health to administer the program.

Sunday Sales: ■
\$851,000

Sunday Sales licenses revenues are transferred to the Iowa Department of Public Health. Fifty percent of this amount is used for grants to counties for local substance abuse programs, pursuant to Iowa Code section 125.59(1)"a".

Native Beer Tax: ■
\$24,703

Revenues derived from the barrel tax on beer manufactured in Iowa are deposited with the Iowa Economic Development Authority to promote native breweries and wineries.

Benefits of the Control State System

Levels the playing field:

The Division wholesales products to more the 1,100 privately owned retail outlets in the state. Products are offered at the same price and delivery options, regardless of business location and quantity purchased. This enables small locally owned stores to compete with large volume chain stores.

Protects public health:

Controlled distribution provides an effective method of regulation that significantly lowers alcohol consumption and protects the public from the substantial social risks and economic costs associated with alcohol abuse. The system is designed to promote a healthy alcohol marketplace.

Increases state and local revenues:

Revenues generated by the Division are transferred to the State General Fund, other executive branch agencies and to local governments to support essential programs and services. Funds generated from the sale of alcohol directly finance substance abuse programs.

Core Functions of the Alcoholic Beverages Division

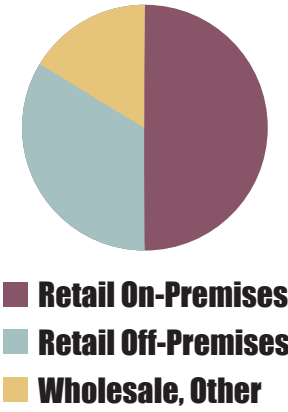
REGULATION:

The Division's Regulatory Compliance Bureau achieves compliance with Iowa Code chapter 123, first through education and, when necessary, through punitive measures. Strengthening partnerships with law enforcement agencies is an essential component of the alcohol compliance program. The Division now contributes content on alcohol laws and regulations to the curriculum of the Iowa Law Enforcement Academy. In addition, it offers training to law enforcement agencies statewide.

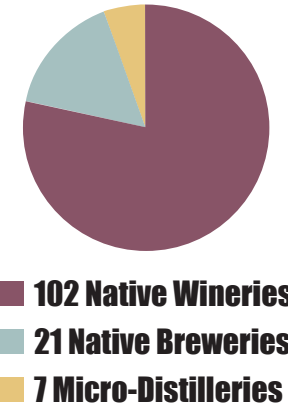
LICENSING:

The Division issues licenses and permits to over 11,500 businesses operating in Iowa.

License Distribution



Iowa Alcohol Production



EDUCATION:

The Division completed two projects in 2012 to increase understanding of laws and regulations that are critical to the successful operation of businesses which are licensed to sell liquor, wine and beer. The first is I-PACT, a voluntary program for alcohol compliance training, mandated by 2011 legislation. This online program is available at no cost to licensees, permittees, and their employees at I-PACT.com. Secondly, the Division provided licensees and permittees with an updated version of "Iowa's Alcoholic Beverages Laws & You," an informational compliance guide for Iowa businesses.

DISTRIBUTION:

The Division is the sole wholesaler of liquor in Iowa, selling and distributing products to 1,100 delivery points across the state. Liquor sales to class "E" licensees totaled \$242,247,993 in Fiscal Year 2012.

REGULATION

To regulate the alcohol industry within the state.

LICENSING

To license distributors, retailers and wholesalers.

EDUCATION

To use education and outreach to enforce Iowa laws.

DISTRIBUTION

To distribute spirits equitably at the wholesale level.

Three-Tier System

Iowa's alcoholic beverages industry operates under a three-tier system. From manufacturer to wholesaler to retailer, the three-tier system provides the checks and balances necessary to curb the industry abuses that led to Prohibition and the illegal practic-

es that led to its repeal. The basic premise of the system is that manufacturers must sell only to wholesalers who then sell to retailers. Only retailers may sell to consumers. All spirits, wine and beer must be purchased through the three-tier system.

MANUFACTURER

Distiller
Vintner | Brewer

WHOLESALER

Spirits
Wine | Beer

RETAILER

On-Premises
Off-Premises

Historical Highlights

1933

21st Amendment repeals national Prohibition

1934

Iowa assumes direct control over wholesale and retail distribution of alcoholic beverages, except beer

1963

Liquor-by-the-drink sales allowed; dramshop insurance becomes a requirement

1973

Sunday sales are legalized

1985

Iowa's wine monopoly is privatized

1987

State owned liquor outlets replaced with privately owned stores

1991

Warehouse and distribution operations are privatized

2000

The Division assumes tobacco enforcement

2004

Private warehouse and distribution firm files bankruptcy; the Division resumes operations

2006

Warehouse and distribution operations put out for competitive bid; Private firm assumes warehouse operations and the Division retains distribution operations

2006

The Division resumes warehouse operations when private firm terminates contract

2010

Private beer wholesalers may sell high alcohol content beer; Micro-Distilled Spirits permit and Wine Direct Shipper license created

2011

Prohibition on the sale of alcohol where gasoline is sold is repealed

2012

Parameters for infused drinks established

2013

Eightieth anniversary of the repeal of national Prohibition

Alcohol Compliance Program

Law Enforcement Trainings Held: 41

Investigations Completed: 125
Founded: 85
Unfounded: 40

Compliance Checks Completed: 257
Compliant: 170
Non-compliant: 87

Waivers Granted: 7

Top 3 Violations

1. Bootlegging
2. Record Keeping
3. Purchasing from non-wholesaler

(Fiscal Year 2012)